

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of  
Consolidated Edison Company of New York, Inc.  
Case 07-E-0523  
September 2007

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Prepared Testimony of:

Consumer Services Panel

Bruce Bentley  
Utility Consumer Program  
Specialist 5  
Office of Consumer Services

Martin Insogna  
Utility Consumer Program  
Specialist 4  
Office of Consumer Services

State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

1 Q. Mr. Bentley, please state your full name and  
2 business address.

3 A. Bruce A. Bentley, Three Empire State Plaza,  
4 Albany, New York 12223.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Department of Public Service  
7 of the State of New York (Department) as a  
8 Utility Consumer Program Specialist 5 on the  
9 Staff of the Office of Consumer Services.

10 Q. Please state your educational background and  
11 professional experience.

12 A. I received a Bachelor of Science degree from the  
13 State University of New York at Cortland in 1973  
14 and a Masters of Science degree in Educational  
15 Communications from the State University of New  
16 York at Albany in 1979. In June 1967, I joined  
17 the New York State Department of Environmental  
18 Conservation (NYSDEC) Environmental Education  
19 staff. From 1967 through August 1999, I held a  
20 number of environmental education and citizen  
21 participation positions with increasing  
22 responsibility, ending as the Chief of NYSDEC's

1 Bureau of Citizen Participation with  
2 responsibility for a comprehensive statewide  
3 public involvement and participation program  
4 dealing with all air, water, fish & wildlife,  
5 forests, solid and hazardous waste, open space,  
6 Superfund, pesticides and permitting issues,  
7 programs and policies for NYSDEC. During my  
8 twenty eight year tenure at NYSDEC I was  
9 responsible for many outreach and education  
10 programs including the development,  
11 implementation and evaluation of numerous  
12 statewide, regional, and area specific public  
13 awareness and education programs utilizing both  
14 grass roots and mass media outreach, promotion  
15 and advertising. I joined the staff of the  
16 Department in September 1999 as a Utility  
17 Consumer Program Specialist 4. Among my  
18 responsibilities were the development,  
19 implementation and evaluation of the Department's  
20 demand reduction residential awareness and  
21 education campaign and management of the  
22 Department's advertising contractor, Rueckert

1 Advertising. From fall 1999, through February  
2 2005, I managed the Department's residential  
3 outreach campaigns for electricity and natural  
4 gas efficiency and conservation,  
5 telecommunications issues and programs, renewable  
6 energy, consumer rights and responsibilities,  
7 Home Energy Fair Practices Act and promotion of  
8 the Department consumer Web site, AskPSC.com.  
9 Additional responsibilities included working with  
10 and coordinating with New York State Energy  
11 Research and Development Authority on a statewide  
12 mass media campaign designed to promote energy  
13 efficiency, promote wise energy use practices and  
14 promotion of the Energy Star brand. The programs  
15 under my management and direction used a wide  
16 variety of branding, outreach and advertising  
17 vehicles and techniques including television,  
18 radio, print, direct mail, out-of-home, branded  
19 items, public relations, exhibits, presentations  
20 and events. In 2005 I was promoted to and  
21 continue to serve as Manager of the Consumer  
22 Advocacy and Education unit of the Office of

1 Consumer Services. My responsibilities were  
2 expanded to include the Department's consumer  
3 advocacy operations as well as all of the  
4 residential outreach and education programs and  
5 campaigns.

6 Q. Have you previously presented testimony in  
7 proceedings before the Public Service Commission  
8 (Commission)?

9 A. No. I have not testified before this Commission.

10 Q. Mr. Insogna, please state your full name and  
11 business address.

12 A. Martin Insogna, Three Empire State Plaza, Albany,  
13 New York 12223.

14 Q. By whom are you employed and in what capacity?

15 A. I am employed as a Utility Consumer Program  
16 Specialist 4 in the Department's Office of  
17 Consumer Services.

18 Q. Please describe your educational background and  
19 professional experience.

20 A. I hold a Bachelor's degree in philosophy and  
21 economics from Colgate University. Prior to  
22 joining the Department, I was employed in a wide

1 range of customer service fields, including as a  
2 representative of the then-New York Telephone  
3 Company. I joined the Consumer Services Division  
4 of the Department in 1990 as a Consumer Services  
5 Specialist, investigating and resolving utility  
6 consumer complaints. I was thereafter accepted  
7 into a traineeship with the Office of Energy  
8 Efficiency and Environment, with responsibility  
9 for policy and operational considerations  
10 involving utility energy efficiency and  
11 environmental issues. I was then promoted to the  
12 title of Utility Rate Analyst, and was  
13 transferred to the Electric Division, with  
14 responsibility for review and analysis of utility  
15 rate and rate-related filings. When the  
16 Department was reorganized in 1999, I was  
17 assigned to the Retail Competition section of the  
18 Office of Electricity and Environment, with  
19 responsibility for a wide variety of initiatives  
20 related to the introduction of retail access. In  
21 January 2000, I was promoted to the title of  
22 Associate Policy and Compliance Analyst and

1 transferred to the Residential Advocacy Section  
2 of the Office of Consumer Education and Advocacy.  
3 The Department of Civil Service subsequently  
4 reclassified the title of Associate Policy and  
5 Compliance Analyst to my current title. In  
6 December 2003, the Department was again  
7 reorganized, and the Office of Consumer Services  
8 assumed responsibility for consumer advocacy  
9 functions within the Department.

10 Q. Please briefly describe your current  
11 responsibilities with the Department.

12 A. I oversee utility compliance with Public Service  
13 Law and Commission regulations regarding consumer  
14 protections and access to service; monitor and  
15 analyze utility customer service quality  
16 performance and responsiveness to customer needs;  
17 promote access to affordable utility services for  
18 low-income and other special needs customers; and  
19 represent residential and small business customer  
20 interests in utility rate cases and other  
21 Commission proceedings.

22 Q. Have you previously testified before the

1 Commission?

2 A. Yes. I have testified on energy efficiency  
3 programs, system benefits charge implementation,  
4 rate design, consumer protections, service  
5 quality, low-income customer needs, and outreach  
6 and education.

7 Q. What is the scope of the Customer Services Panel  
8 (Panel) testimony in this proceeding?

9 A. We will address the Company's proposals regarding  
10 call center applications, low-income customer  
11 needs, field operations, customer outreach and  
12 education programs and the customer service  
13 performance incentive mechanism.

14 Call Center Applications

15 Q. Please summarize the Company's proposals  
16 regarding call center applications.

17 A. The following enhancements to the call center are  
18 being proposed: improvements in speech  
19 recognition functionality, for which the Company  
20 projects capital costs of approximately \$2.08  
21 million in the rate year plus approximately  
22 \$8,400 in incremental operating and maintenance

1 (O&M) expense; an expansion of the automated  
2 outbound calling system from 24 to 72 lines at a  
3 projected capital cost of approximately \$42,500  
4 in the rate year; and a back-up power supply for  
5 critical equipment at a projected capital cost of  
6 approximately \$500,000 in the rate year. In  
7 addition, the Company would hire 36 additional  
8 customer service representatives (CSRs) and two  
9 managers at a projected cost of \$1,042,000 for  
10 the rate year; and would develop capability for  
11 employing CSRs at remote locations, at a  
12 projected capital cost of approximately \$208,000  
13 for the rate year plus approximately \$5,600 O&M  
14 expense for the rate year.

15 Q. Does Staff agree that the Company needs to invest  
16 in all of these enhancements to its call center?

17 A. No. Staff's February 9, 2007 report on the Long  
18 Island City (LIC) network outage in  
19 Case 06-E-0894 (LIC report) concluded that "Con  
20 Edison performed well with regard to providing a  
21 sufficient number of representatives for the Call  
22 Center, in providing adequate incoming lines, and

1 in picking up (by representatives or by the  
2 automated system) calls within a reasonable  
3 time." Rather, the report identified problems  
4 with "the quality of information that callers  
5 were given and problems with messages heard  
6 through the automated system." Similarly,  
7 Staff's February 2007 report on the July and  
8 September 2006 Westchester outages in  
9 Case 06-E-0158 (Westchester report) concluded  
10 that "Con Edison performed reasonably well with  
11 regard to its Call Center staffing." Given these  
12 findings, we don't believe the increase in  
13 staffing is justified. Furthermore, given the  
14 prodigious expenditures the Company proposes to  
15 make to its electric infrastructure in this case,  
16 we expect that the need for extra staffing to  
17 handle emergencies in the call center will  
18 diminish over time. Staff proposes to adjust the  
19 entire O&M amount of \$1,042,000 proposed by the  
20 Company. For the same reasons, we believe the  
21 remote agent technology is also unneeded, and  
22 recommend that the associated capital cost of

1           \$208,000 for the rate year plus about \$5,600 in  
2           O&M expense be removed from revenue requirement.

3   Q.   Do you support the proposal to enhance Con  
4           Edison's speech recognition software?

5   A.   No.   Given the magnitude of the rate increase  
6           proposed by the Company in this case, mainly  
7           driven by the need to invest in its aging  
8           infrastructure, Staff believes the Company must  
9           prioritize its non-essential investments.   Given  
10          that this proposal would not only incur  
11          additional capital costs, but require ongoing O&M  
12          expenses of \$150,000 annually after the rate  
13          year, Staff recommends that the Company shelve  
14          this project, and alternatively investigate lower  
15          cost options for expanding its interactive voice  
16          response (IVR) system, such as utilizing touch-  
17          pad commands or inputs.   This would result in a  
18          reduction of \$2.08 million in capital costs plus  
19          about \$8,400 in O&M expense for the rate year.

20   Q.   Do you support the increase from 24 to 72  
21          outbound lines?

22   A.   No.   While the Westchester report concluded that

1 "Con Edison should establish a dedicated  
2 telephone line(s) or other more direct  
3 communication links for critical care facility  
4 customers" in the event of an outage, we do not  
5 believe a tripling of the available outbound  
6 lines is warranted. We propose that the Company  
7 scale back its proposal from 48 to 24 additional  
8 lines. Since this project would not incur  
9 significant capital costs until 2009, we propose  
10 to adjust the entire amount of \$42,500 in revenue  
11 requirement for the rate year.

12 Q. Do you support the proposal for an uninterrupted  
13 power supply for call center equipment?

14 A. This expenditure appears reasonable.

15 Low Income Customer Needs

16 Q. Does Con Edison currently have any special  
17 programs for its low income customers?

18 A. Yes. The Company's low income program includes a  
19 Customer Charge reduction of about \$5 monthly for  
20 customers receiving a number of different social  
21 services programs. In addition, Con Edison  
22 waives service reconnection charges to qualified

1 low income customers. Con Edison has an  
2 automatic enrollment process by matching Company  
3 records with records from the New York City Human  
4 Resources Administration (HRA) and the  
5 Westchester County Department of Social Services  
6 (DSS). Currently, about 239,000 customers are  
7 participating in the low income program, and it  
8 is anticipated that in the rate year about  
9 244,000 low income customers will be eligible for  
10 the low income rate discount.

11 Q. Does the Company propose to continue its  
12 programs?

13 A. Yes, the Company proposes to continue the program  
14 at the same level as in the current rate plan,  
15 \$12.5 million per year.

16 Q. Does the Panel support a low income program for  
17 Con Edison electric customers?

18 A. Yes. Energy costs represent a large burden on  
19 low income families. Evidence from a variety of  
20 sources, including the Residential Energy  
21 Consumption Survey conducted quadrennially by the  
22 Federal Energy Information Administration,

1 demonstrates that while middle and higher income  
2 customers experience energy costs in the general  
3 area of one to five percent of income, lower  
4 income customers experience energy costs in the  
5 general area of 15 to 20% of income. As a  
6 result, many low income customers cannot afford  
7 essential services such as electric service.  
8 These families typically must trade off among  
9 food, shelter, medicine and energy purchase  
10 decisions. In addition, for heating customers,  
11 loss of a household's primary heat source  
12 presents serious health and safety risks, both  
13 due to the potentially fatal effects of cold  
14 weather and the fire and health hazards resulting  
15 from using unsafe alternative heating sources.  
16 Furthermore, low income families tend to live in  
17 poorly maintained and energy inefficient housing.  
18 This not only wastes energy, but makes it even  
19 more likely that these households will be unable  
20 to pay their utility bills. For these reasons,  
21 programs to address the needs of low income  
22 customers are essential.

1 Q. Why should such programs be funded by Con Edison  
2 ratepayers?

3 A. There are a number of reasons. First, helping  
4 low income customers to pay their electric bills  
5 helps Con Edison and its ratepayers. Con Edison  
6 carries uncollectible expenses that are paid for  
7 by all of its ratepayers as a cost of business.  
8 Collection costs and working capital on the  
9 unpaid bills of low income customers impose  
10 additional costs on the utility and its  
11 customers. These costs can be reduced with the  
12 effective implementation of a low income program.  
13 Savings include reductions in costs associated  
14 with credit and collection, arrears and bad debt,  
15 deposit maintenance, regulatory expenses,  
16 repeated payment plan negotiations, credit agency  
17 fees, diversion of revenue from arrears to  
18 reconnection fees, and diversion of revenue  
19 resulting from forced moves. Second, the  
20 implementation of a low income program is  
21 consistent with Commission practice over the past  
22 several years. That there is broad based support

1 for programs to lower bills for low income  
2 customers is evidenced by joint proposals adopted  
3 by the Commission that have resulted in the  
4 implementation of low income programs at Central  
5 Hudson, Con Edison, KeySpan, National Fuel,  
6 NYSEG, Niagara Mohawk, O&R and RG&E. Finally, in  
7 its Order Continuing the System Benefits Charge  
8 (SBC) and the SBC-Funded Public Benefit Programs,  
9 issued December 21, 2005 in Case 05-M-0090, the  
10 Commission stated that, "[o]il and gas prices are  
11 volatile and rising, resulting in electricity  
12 commodity price increases for New York consumers,  
13 negatively impacting low income consumers, in  
14 particular, who spend a higher percentage of  
15 their income on energy costs." Citing the recent  
16 escalation in fuel costs and the disproportionate  
17 impact such increased costs have on low income  
18 customers, the Commission increased annual SBC  
19 support for low income programs by more than \$11  
20 million, to more than \$38 million annually  
21 through 2011. For the same reasons, financial  
22 support for Con Edison's low income rate discount

1 should increase as well.

2 Q. What type of program does the Panel recommend for  
3 Con Edison's electric low income customers?

4 A. We propose to continue the Company's existing low  
5 income program as the Company proposes, which  
6 includes a rate discount and a waiver of service  
7 reconnection charges to qualified low income  
8 customers.

9 Q. Do you propose to continue the low income program  
10 at the same funding level?

11 A. We believe the funding level should be increased  
12 to \$24.9 million. We recommend that qualified  
13 low income customers should receive a discount  
14 from the monthly charge, about twice the discount  
15 offered under the current program. If the  
16 SC1/SC7 monthly charge is allowed to increase by  
17 29 percent to \$15.21 as the Company proposes, the  
18 monthly charge for eligible low income customers  
19 should be frozen at \$6.50, representing a  
20 discount of \$8.71 per month, or \$104.52 per year.  
21 The cost of such a program would total  
22 approximately \$24.9 million per year. A \$24.9

1 million annual expenditure level, if spread over  
2 all electric sales, would result in a rate impact  
3 of about \$0.0004 per kwh, or about 0.3% of  
4 electric revenues. This is a reasonable funding  
5 level for such a program, particularly given the  
6 rising cost of electricity, the impact of  
7 electricity costs on low income customers, the  
8 increasing number of low income customers, and  
9 the potential for offsetting benefits to the  
10 Company and all customers.

11 Field Operations

12 Q. Please summarize the Company's proposals  
13 regarding field operations.

14 A. The Company proposes to add 15 customer field  
15 representatives (CFRs) to address demand meter  
16 reading and fielding of meters on inactive  
17 accounts, at an O&M cost of \$390,000 in the rate  
18 year.

19 Q. Do you support the Company proposal?

20 A. No. The Company's response to Consumer  
21 Protection Board (CPB) Information Request 14-k,  
22 attached as Exhibit \_\_ (CSP-1), indicates that

1 most of the projected work volume of the proposed  
2 CFRs is the fielding of meters where consumption  
3 is reported on inactive accounts. This activity  
4 protects the Company's revenues, which are  
5 otherwise unbilled if a new customer is not  
6 identified and/or liability for service between  
7 old and new customer not resolved. Staff  
8 believes that these new positions should  
9 therefore be self-funding, and any incremental  
10 O&M amounts added to revenue requirement  
11 represent unneeded costs for CFRs in excess of  
12 additional revenues they are able to recover.  
13 Staff recommends that the proposal be rejected,  
14 reducing revenue requirement by \$390,000.

15 Customer Outreach Program

16 Q. What is the Company's proposed budget for  
17 customer outreach?

18 A. The Company has proposed an outreach and  
19 education budget of \$10,150,000, an increase of  
20 \$6,610,000, or nearly 300%.

21 Q. Do you support the Company's proposal?

22 A. No. While Staff agrees with the importance of

1 outreach and education, an increase of this  
2 magnitude and the resulting bill impacts cannot  
3 be justified. In addition, the Company's  
4 outreach and education have historically been  
5 well funded, well managed, and very effective in  
6 getting their messages and information out to  
7 their customers. During the recent Long Island  
8 City network and Westchester storm outage  
9 investigations a number of enhancements were  
10 identified to improve communication during storm  
11 events. Many of these enhancements, particularly  
12 Web site improvements and Call Center changes,  
13 will also improve the Company's day to day  
14 outreach efforts. For these reasons we propose  
15 the Company reduce its proposed outreach and  
16 education budgets by approximately \$6,250,000 to  
17 \$3,900,000.

18 Q. Do you have any additional recommendations  
19 concerning outreach and education?

20 A. Yes. We recommend that the Company be directed  
21 to develop annually a detailed public awareness,  
22 outreach and education program plan, setting

1       forth program goals, objectives, messages,  
2       communication strategies, and effectiveness  
3       evaluation methodologies. The plan should be  
4       filed annually with the Director of the Office of  
5       Consumer Services, at least 90 days before the  
6       date of implementation and be evaluated and  
7       refined on an expedited basis through  
8       collaborative discussions among the Company,  
9       Staff, and any other interested parties both as  
10      to program content and final budget for each  
11      initiative.

12      Customer Service Performance Incentive Mechanism

13      Q. Please describe Con Edison's current customer  
14      service performance incentive.

15      A. Con Edison's electric customer service  
16      performance incentive (CSPI) was updated in the  
17      Commission's March 24, 2005 Order in  
18      Case 04-E-0572. A maximum revenue adjustment in  
19      favor of ratepayers of up to \$36 million  
20      annually, equivalent to approximately 51 basis  
21      points of electric common equity, is applicable  
22      if the Company does not meet customer service

1 threshold targets. The Company files a report  
2 annually on its performance under the incentive  
3 mechanism. The customer service performance  
4 areas are the Commission complaint rate, Customer  
5 Satisfaction Indices for satisfaction of electric  
6 emergency callers, other callers to the Company's  
7 telephone centers, and visitors to the Company's  
8 service centers; new and initial service jobs,  
9 initial phase; new and initial service jobs,  
10 final phase; meter reading, percent read on  
11 cycle; telephone calls, percent answered; billing  
12 accuracy -- percentage of bills not adjusted due  
13 to Company error; routine investigations --  
14 percentage completed within 30 days; and the  
15 Outage Notification Incentive Mechanism (ONIM), a  
16 measurement of the Company's performance in  
17 customer notification of service outages.  
18 Effective May 1, 2006, Con Edison's measurement  
19 of calls answered was based on the percent of  
20 calls answered within 30 seconds. For  
21 measurement purposes, performance resulting from  
22 abnormal operating conditions, such as strikes,

1 natural disasters, major storms and other unusual  
2 events, are not considered. In such cases, the  
3 Company omitted data for the affected geographic  
4 area from the calculation.

5 Q. Does the Company propose to continue the CSPI?

6 A. No. Con Edison proposes that the Commission  
7 discontinue all incentive programs and not  
8 replace them or institute new mechanisms.  
9 According to the Company's Infrastructure  
10 Investment Panel, the Company does not suggest  
11 any relaxation in performance standards or  
12 relaxation in reporting. It states that monetary  
13 penalties have no value as a deterrent to "bad  
14 behavior" and the Company does not need an  
15 economic "incentive" to perform at a high level,  
16 as it already faces economic consequences for its  
17 actions, independent of any penalties the  
18 Commission develops.

19 Q. Do you agree with Con Edison's assessment?

20 A. No. The Commission in Case 94-E-0952, its  
21 general electric rate and restructuring case,  
22 stated its preference for performance-based

1 regulation wherever monopoly remains. As long as  
2 delivery service remains a monopoly, there are  
3 virtually no consequences to the Company for  
4 failing to provide good customer service. CSPIs  
5 help to align shareholder and ratepayer interests  
6 by providing earnings consequences to  
7 shareholders for the quality of service provided  
8 to a utility's customers. Presently, CSPIs are  
9 in effect at all of the major energy utilities  
10 that link earnings directly to companies'  
11 performance on specific measures of customer  
12 service. We propose continuation of Con Edison's  
13 CSPI, with certain modifications.

14 Q. What modifications does the Panel propose?

15 A. The LIC and Westchester reports both determined  
16 that the ONIM "should be re-examined and non-  
17 performance payment levels adjusted upward at the  
18 first available opportunity, such as when the  
19 Company next files for a rate change. At that  
20 time, there should be discussions about including  
21 an additional activity: holding conference calls  
22 to brief public officials about the status of

1 restoration and other outage related  
2 information." Consistent with those  
3 recommendations, we propose that an additional  
4 activity, holding a conference call to brief  
5 public officials, be added to the list of  
6 notification activities required under the ONIM.  
7 We further propose that the amount at risk for  
8 each individual activity under the ONIM should be  
9 doubled, from \$150,000 to \$300,000 for each  
10 activity either not completed within the  
11 prescribed time period or which does not contain  
12 the required information. We further propose  
13 that the total amount at risk under the ONIM  
14 should be increased to \$8 million, and the total  
15 amount at risk under the CSPI be increased to \$40  
16 million.

17 Q. Does this conclude your testimony at this time?

18 A. Yes, it does.